



SENATOR

Debbie Regala

E-Newsletter - 27th District, Tacoma

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27th Legislative District

May 5, 2010

Dear Neighbors,

It has been hard to miss news clips regarding the Legislature over the past four months, even if you tried. As predicted, the economic recession continued to drain the state budget resources which resulted in a \$2.8 billion gap. Our entire nation is experiencing a historical recession and we faced this challenge head on during the legislative session.

Knowing we had to leave Olympia with a balanced budget as is required by law, legislators went through pains-taking analysis and multiple proposed solutions. The goal was to support our most vulnerable citizens and position our state to rebound as quickly as possible. We passed a final budget that makes cuts many legislators regret, but realize are necessary. I believe we found the balance to serve all the people of our state as best we can.

Within this e-newsletter, please find details of the final budget as well as other news that pertains to the 27th District.

I truly believe a large part of recovery is the individual support we give to each other in this time of need. While state support is there for many, our individual actions will continue to be important in strengthening our communities and state.

Thank you for giving me an opportunity to serve our community and state. If you have any recommendations or new ideas, I am happy to hear from you. More than ever, we need creative ideas, new competitive methodologies, innovation, and above all, hard work to establish a bright future for Washington.

Sincerely,

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27th Legislative District

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Three Different Budgets Serve Washington's Citizens

With all the recent discussions of the state budget, I have become aware that sometimes people are using the term 'state budget' in different contexts.

Washington's overall budget is made up of three separate budgets: Operating or General Fund (81.8%), Transportation (10.6%) and the Capital Budget (7.5%).

The Operating Budget pays for day-to-day operations of state government. The Transportation Budget pays for roads and public transit and the Capital Budget maintains state buildings, public schools, higher education facilities, public lands, parks and other assets. These budgets allocate money to public schools, higher education, transportation, government operations, natural resources, human services, and debt services (See Addendum 1).

The Operating Budget collects most of its money from retail i.e. sales tax. The **State General Fund** is the largest single fund within the state budget (See Addendum 2).

General Fund revenues are allocated to different programs and services. Since the largest piece, K-12 education, is constitutionally protected, the state must fund basic education, and must cut other programs such as higher education and human services in very tight tough times like we are experiencing now (See Addendum 3).

Budget Solution

A recession-weary economy produced a multi-year budget challenge for this Legislature that is simply unmatched in our lifetime. After closing a gap of more than \$9 billion in 2009, the Legislature was tasked with filling a \$2.8 billion hole in 2010. This came at a time when the people of our state are putting greater demand than ever on state services. There are more children in public school, increased need for access to healthcare and student financial aid, increased requests for emergency assistance and job training for those who are unemployed (See Addendum 4 and 5).

The Legislature's balanced 2010 budget solution:

- Makes no cuts to basic education and preserves 54,658 teachers,
- Preserves critical preschool programs for children under three,
- Protects Working Connections childcare for 37,000 families,
- Fully funds all-day kindergarten,
- Maintains the Apple Health for Kids program serving 486,000 children,
- Preserves levy equalization funding for rural school districts,
- Secures state higher education financial aid for 57,000 young adults,
- Provides retraining in high-demand fields for an additional 3,800 workers,
- Provides community mental health services to an average of around 55,000 people per month and
- Saves health care for 69,000 people on the Basic Health Plan.

Spending in the overall budget is up because of the increase of federal dollars which helps Washington provide support to its citizens. The \$2.8 billion gap came in the Operating/General Fund budget where the Legislature cut government programs and services as well as jobs and employee compensation.

Over the past two legislative sessions, the Legislature has cut \$5.1 billion in valued services and public employee compensation, eliminating 8,887 public sector jobs in the process.

As a way of accomplishing this, we mandated state agencies meet a reduction target. This may come in the form of furloughs or other cost cutting measures. We started this effort last year with \$4.3 billion program and public employee compensation cuts which included pay freezes, furloughs, increased medical deductible and co-pays.

While the 60 day session is intended to make ‘tweaks’ to the biennial budget developed the year before, this session, due to the recession, the Legislature essentially had to rewrite that biennial budget. Cuts were again made in multiple areas of state government.

However, the 2010 budget also leaves \$484 million in reserve. I believe this is a responsible step to help the state weather any additional economic aftershocks during the remainder of the two-year budget cycle and to get a jump on tackling future budget challenges.

Because cuts couldn’t do it alone, this year the Legislature also voted to raise new revenue by \$794 million. This is a carefully calibrated revenue package designed to minimize impact on our economic recovery. Our approach balances the responsibility between businesses and consumers.

More than a third of new revenues are raised by closing corporate loopholes. One such example levels the playing field for our home-grown businesses by making out-of-state companies pay their fair share.

About half of the new revenues are raised on a temporary, three year basis.

We temporarily increase the B&O rate for business services, such as lawyers and accountants, on a three-year basis. But we also permanently increase the small business tax credit so that businesses earning up to \$93,389 annually are eligible. Services businesses earning up to \$80,000 annually would actually pay less.

On the consumer side, we focused on nonessential items so that many households will be able to avoid paying any additional taxes at all.

A dollar per pack tax is added to cigarettes, and the sales tax exemption for bottled water, candy and gum is removed.

There is a temporary increased tax on beer and soda — both will go away in three years.

Beer, except micro brews, will cost an extra 28 cents per six-pack. One side benefit is that studies have shown that a 10 cent increase per six-pack has the same effect on underage drinking as raising the drinking age one year.

Carbonated beverages will cost an extra 2 cents per 12 ounces. This will cost the average family \$7 per year, but families have the choice to avoid it as well.

It’s important to note that for every \$1 in new revenue, \$5 was cut from state spending in the revised 2009-11 budget.

An area that has created a lot of public discussion are union contracts. While the Legislature cannot require unions to give up previously negotiated benefits, but will be starting new negotiations in fall.

Transportation Budget and Economic Development

Fortunately, the 2010 transportation budget keeps faith with all scheduled projects in the current 16-year transportation finance plan. Of the 391 projects funded by the 2003 “Nickel” and 2005 “TPA” gas tax increases, 241 have been completed, 54 are under construction and 21 will be advertised for construction in the next six months, which translates into 18,000 additional jobs.

Two ongoing local projects benefiting our community are:

HOV lane addition from the Port of Tacoma Road Interchange to the King County Line. \$62.2 million in federal stimulus funds is allocated for this project which will create an estimated 350 jobs. This project was chosen to ease congestion on this heavily-traveled section of I-5.

Funding for the Nalley Valley/SR 16 project includes \$7.8 million of federal stimulus funds (I-5/SR 16 Eastbound Nalley Valley project).

Jobs

To help our state economy along the road to recovery, the 2010 Legislature has passed a wide-ranging package of bills to preserve existing jobs, create 60,000 new jobs and position Washington’s economy for future growth.

While recovery from the nationwide recession will be slow, Washington’s business climate continues to attract outside companies to locate here. This bodes well for the future. A recent example includes a new BMW electric car manufacture site in Moses Lake which will focus on carbon fiber parts. The joint venture is backed by BMW Group and SGL Group, Europe's only carbon fiber manufacturer.

Locally, the 27th District will also see two new employers in the Port of Tacoma. Targeted to open in July 2010, VersaCold’s new refrigerated storage and distribution center will bring an estimated 100 jobs.

Northwest Marine Co., a Texas based marine construction company, will occupy 3.5 acres of waterfront property on the Tacoma Tideflats. The term of Northwest Marine’s lease with the port is five years, with options for two additional five-year terms, according to a news release from the Port of Tacoma. They are estimated to employ about 100 people over the next five years.

Northwest Marine Co. specializes in marine construction, including marine pipelines, marine transportation facilities and dredging.

Clean up Capital Projects

Thanks to the Asarco bankruptcy proceeding, Pierce County will benefit from some local cleanup projects (dollars shown in thousands):

<i>Clean Up Toxic Sites - Puget Sound</i>	<i>Pierce County nitrogen extraction project</i>	<i>\$511</i>
<i>Asarco Cleanup</i>	<i>Tacoma, Everett, and Mines</i>	<i>\$8,500</i>
<i>Puget Sound Cleanup & Recovery</i>	<i>Port of Tacoma Asarco Cleanup</i>	<i>\$1,030</i>

Addendum 1:



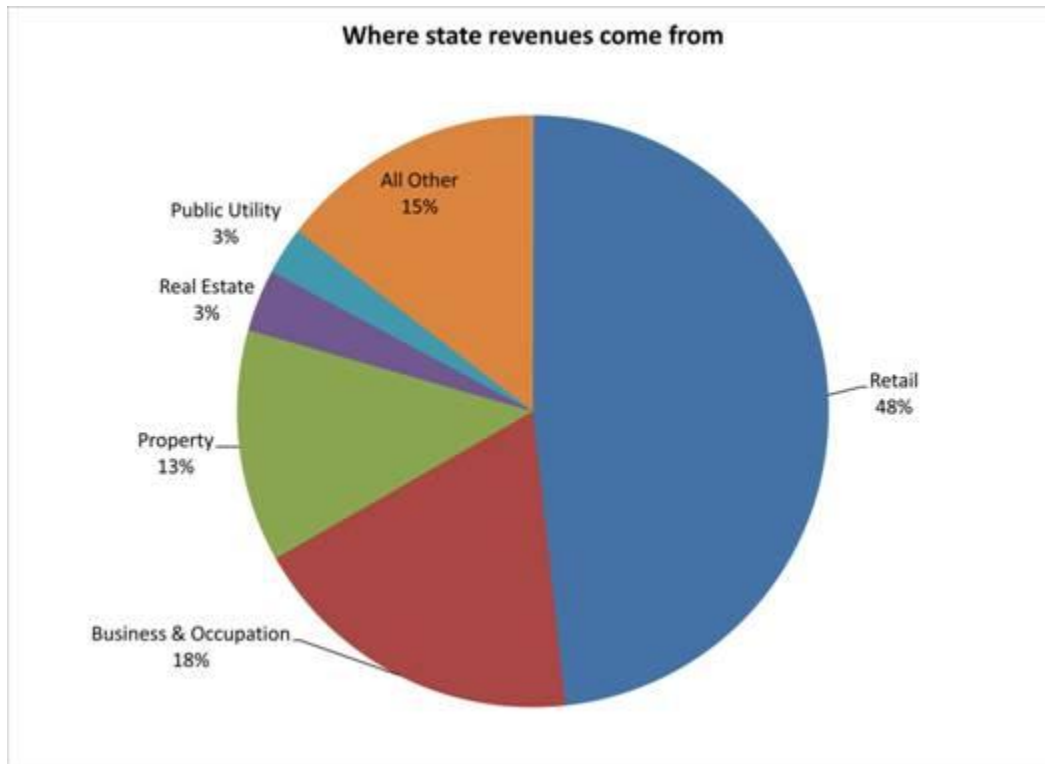
2009-11 All Budgeted Expenditures* **(Dollars in Billions)**

Human Services	\$25.2
Public Schools	\$16.8
Higher Education	\$10.6
Transportation	\$7.0
Governmental Operations	\$5.6
Natural Resources	\$3.0
Debt Service/Other	\$3.6
Total	\$71.8

*Includes Capital Re-appropriations excluded previously from Citizen's Guides.

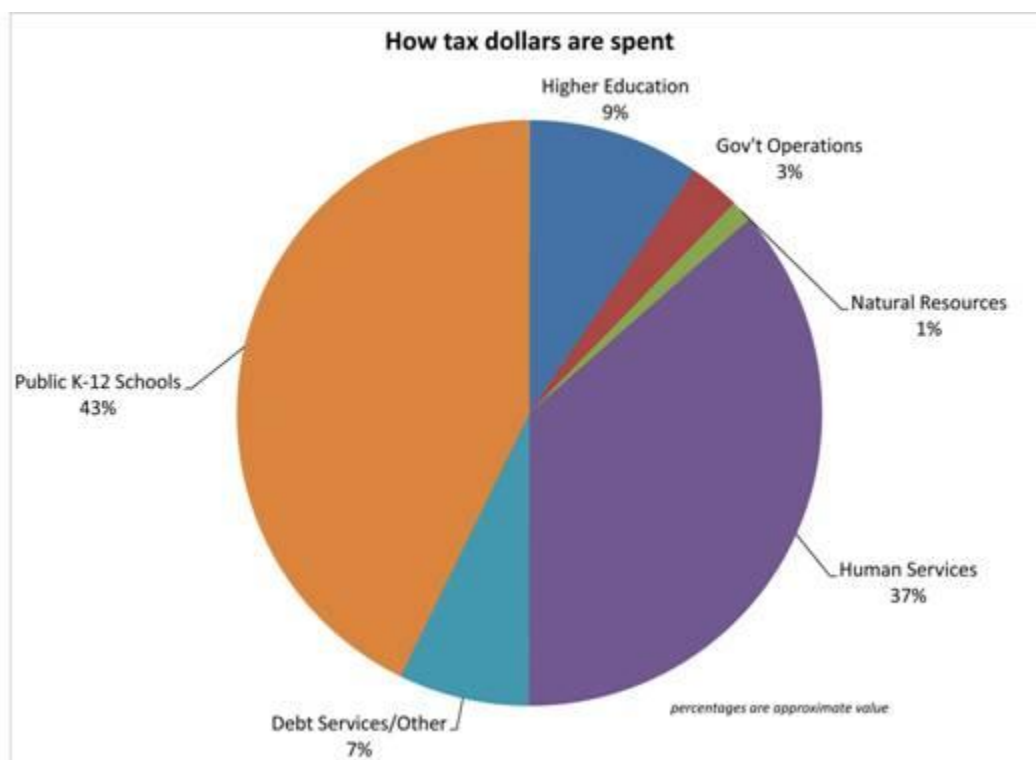
Sources: Winsum and Buildsum budget development systems for the 2009 Session.

Addendum 2:



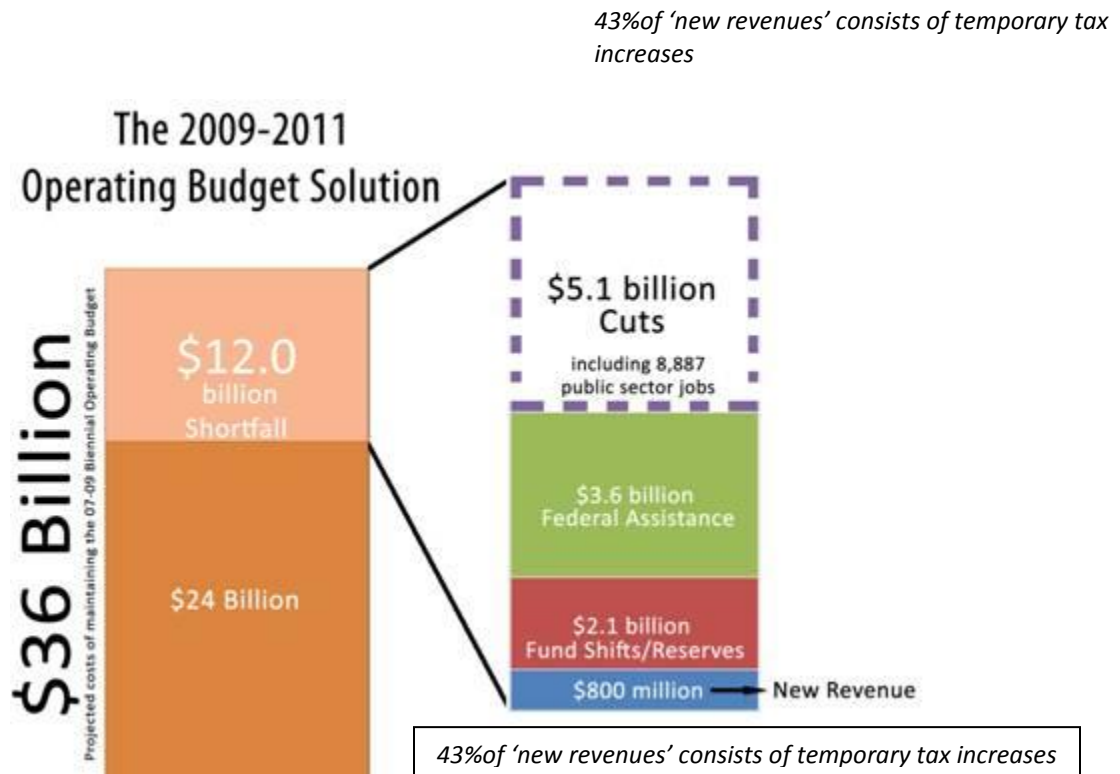
Not depicted in this chart are the other sources of revenue for our state such as federal and other grants, borrowing, licenses, permits and charges for other services.

Addendum 3:



Addendum 4:

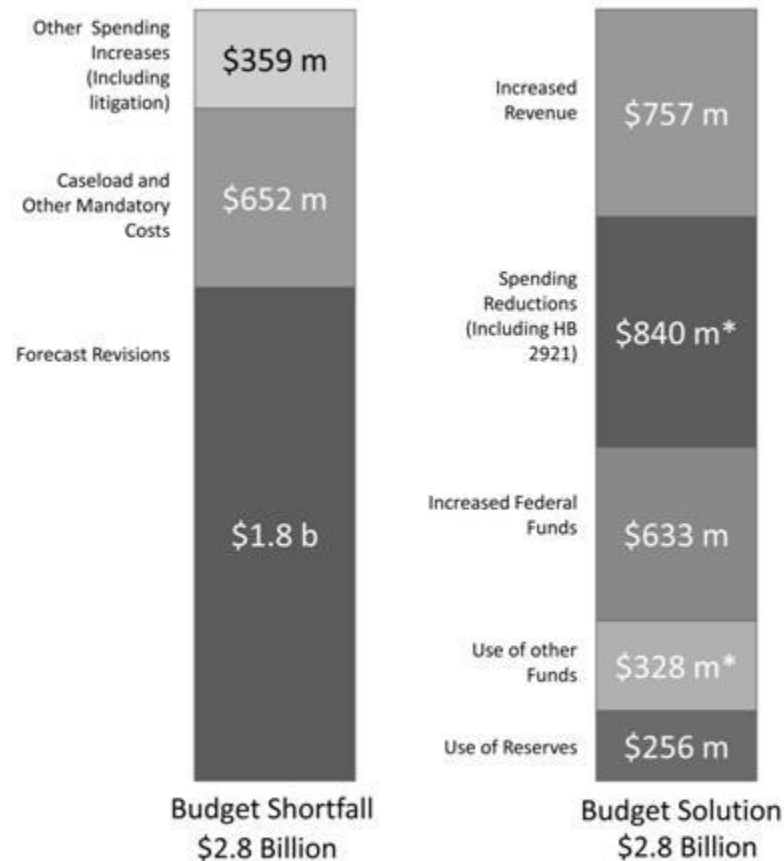
Please find below a chart that demonstrates the two year Operating Budget problem and solution in approximate values.



Addendum 5:

Here is a chart that looks specifically at the 2010 \$2.8 billion shortfall and solution.

2010 Budget Shortfall and Proposed Solution (General Fund-State)



* Includes the impact of SSB 6409 (Opportunity Pathways Account). That bill contains a \$102m fund shift from the state general fund and allows \$113m in expenditures to be shifted from the state general fund to the Opportunity Pathways Account.

Prepared by the Office of Program Research

3

4/12/2010

Prepared by the Office of Program Research 4-10-2010

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Washington Senate Democratic Caucus